

# Home Buyer's Guide

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## Understanding the Real Estate market

Buying a home is exciting and a large financial investment. It is important to understand the local economy and the current housing market, this will impact what home you buy and how much it costs. The more you know about buying a home the better you'll be able to navigate your choices.

The current market in Columbia and Richmond counties is a seller's market. In a seller's market home values are on the rise due to the amount of available inventory i.e., how many homes are listed for sale. Currently, the market has moderate to low inventory which results in an increase of property values. It is expected over the next year (2021) property values will appreciate at approximately 8%. The expectation is that property values will continue to appreciate into 2022. What this means for you as a buyer is that your purchase now can begin building equity into your investment.

An added influence into the rise of property values are the mortgage rates. The current mortgage rates are hovering at 3% or less for a 30 year mortgage and, as a result, have created an increase in home buyers. The cost to borrow money is low enough that it allows a homebuyer the opportunity to purchase a home that satisfies their goals.

Additionally, both Columbia and Richmond counties are experiencing a building and renovation boom with more individuals and families moving into the area. As a result of this movement, business and commercial development has increased. Both of these changes also contribute to an increase in property values. Now is the time to buy while mortgage rates are low and properties have not fully appreciated.

Once you make a decision to buy a home it is important to find a real estate agent who can guide you through the process and find you the home of your dreams.

## Your Real Estate agent's responsibilities?

When choosing a real estate agent it is important to work with someone who has experience and knows the area where you are looking to buy. All real estate agents have access to the multiple listing service (MLS) and should be able to show you a listing you are interested in. What differentiates real estate agents is their experience and commitment to working with you. Once you have found a real estate agent that you feel would be a good fit it is important to sign up buyer's agency agreement. This agreement allows the real estate agent to share with you known knowledge of the property. In fact, they are required to do this. It will be your responsibility under this agreement to be available to view properties and to notify your real

estate agent if you decide to work with another real estate agent. It is important to understand that your real estate agent, who will be spending time with you going over process and showing properties, only gets paid if you buy a home.

### **What is the process for buying a home?**

If you're planning to take out a mortgage, it would benefit you, the buyer, to contact a mortgage lender. If you need recommendations, your real estate agent can help you with this. The mortgage lender will establish a mortgage limit based on a set of criteria. Below is a list of some of the financial requirements that the lender will use to issue a pre-approval letter. Getting pre-approved for a mortgage gives you and the seller confidence that if they accept your offer, you'll be able to get financing and close the deal.

#### Financial requirements for mortgage approval:

- **Credit score:** Conventional loans require a minimum credit score of 620. There are some low-credit loans available which are usually at a higher interest rate. If your credit score is lower than 620, start working to raise your credit score now... that may mean to begin paying down debt.
- **Debt-to-income ratio:** Your future mortgage payments including taxes and insurance should not exceed 28% of your monthly income. Your mortgage payments include principal, interest, taxes, and insurance... This is called PITI. Monthly debt (credit cards, car payment, student loans, etc) should not exceed 36% of your monthly income. That's a total of 64% of your income going to mortgage and monthly bill payments.
- **Down payment:** There are various types of mortgages. A conventional mortgage requires at least 20% as a down payment. While, FHA requires 3.5% to 10% depending on your credit score. A VA loan may require 0% for a down payment.
- **Closing Costs:** Home buyers typically have to pay 2 to 6% of home's price in closing costs. Considering the average home value in Georgia is \$221,471, that amounts to \$4,489.42 to \$13,468.26. These costs may need to come out of pocket for the home buyer. Sometimes they can be included in the mortgage depending on the lender and the bank appraisal of the property. These costs include appraisal fees, inspections, loan application fees, property taxes, title insurance policies, fees and homeowners insurance.
- **Home Ownership Costs:** Homeowners typically spend around \$2,400 per year for maintenance. This can vary widely depending on the condition of the home. Putting aside approximately 1% of the home's value each year for home repairs is prudent.

## **I found a home that I love, now what?**

### Making an offer:

You found a house that you love, you can see yourself living in it, it's in a great neighborhood, now what's the next step? Your real estate agent will discuss with you the comparative prices of homes in the area, the activity on the current property and once you have decided on an offer price a Purchase and Sale Agreement (P&S) form will be completed for you to submit an offer. Your real estate agent will call the listing real estate agent to give a heads up that an offer is coming through. The listing real agent submits the offer to the seller for review. The seller can accept the offer, make a counter offer, or reject the offer. It is the job of your realtor to negotiate the best price for you to purchase this property. All communications between the seller and the buyer are handled by the respective real estate agents.

Many sellers have a personal attachment to the home. They may have lived there for many years and want to know that the next owner will take care of the property. Writing a letter to the seller can show them how you picture your life in the house and appeal to their sentimental side. This can be very helpful if there is a lot of activity and multiple offers on a property.

Once the seller and the buyer have agreed on a price, both parties sign off on the P&S agreement and it becomes legally binding.

### Home inspection, bank appraisal, and termite inspection:

Written into this document is a due diligence period, usually 10 days. It is during this period that a home inspection is done. The buyer has the option to do or not do a home inspection. If a home inspection is done and there are issues with the property, both real estate agents will negotiate repairs. It is during this period that the buyer can cancel the P&S agreement.

After completion of the home inspection a bank appraisal will be scheduled. The bank appraisal will establish the loan value of the property. If the value the property is less than the offer price, negotiations will take place between listing and buyer agents. If the seller does not renegotiate the sale price then the P&S agreement may become null and void, unless other financial arrangements are made.

The lender may require a termite inspection on the property. If termites are found it is the responsibility of the seller to have them removed.

### Hiring a real estate lawyer:

It is required in Georgia that a real estate attorney be part of every home sale. Your real estate agent can make recommendations but it is important for you to know that you make the final decision. The real estate attorney will handle all final documents including title search. Once the lender is satisfied and the title has cleared you will go to a walk through and closing.

### Final walk-through and closing:

Before all final documents are signed at the closing you will have the opportunity to do a walk-through. Your real estate agent will make arrangements for you to do a final inspection of the property to ensure that it's still in the expected condition. Be sure to inspect ceilings, walls, and floors for imperfections. It is the seller's responsibility to make sure the house is "broom swept" and any repairs that were agreed upon were done. This is the last opportunity you will have to inspect your new home. Take advantage of this opportunity. If there are any problems they need to be addressed as soon as possible. It may delay the closing but you are better off buying a property you expect to buy and not a property that is in disrepair.

Once the walk-through is completed and everything is to your satisfaction then you will go to closing. There are various ways a closing can take place. Most often a closing will occur in the real estate lawyer's office. There are times when a closing can be done via Internet and other times when a closing can be done in your place of residence. Arrangements for the closing will be done in advance through your real estate lawyer's office. At the time of the closing you will receive any monies owed you, keys to the property and garage door openers. This will complete the process of buying your home.

Congratulations on your new home!!!!